

BUREAU OF
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Capitalization and Dividends of
the Railways of Texas
Year Ending June 30, 1909

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CAPITALIZATION AND DIVIDENDS OF THE RAILWAYS OF TEXAS.

In this study, prepared by request, it has been the purpose to ascertain the capitalization of the railways of Texas, their dividends, and the proportion of non-dividend-paying stock, and to make a comparison in these respects with the railways of the United States as a whole, and with those of other sections of the United States.

The study is for the fiscal year ending June 30, 1909, the latest year for which requisite statistics are available. The data has been obtained from the annual report of the Railroad Commission of Texas and the statistical report of the Interstate Commerce Commission.

From the table which is printed hereafter with explanatory comment, it will be perceived that the capitalization of the Texas roads per mile is \$32,070, or less than half the average for the whole United States, which is \$73,829. It is of interest to compare this further with Interstate Commerce Commission Group V, which has the lowest capitalization per mile, * \$46,364, and with Group II, which has the highest capitalization per mile, \$147,300. It should be noted that these amounts represent the gross capitalization per mile, in which are included duplications due to intercorporate ownership. The net capitalization of the railways of the United States as a whole, that is, the gross capitalization less deductions due to the ownership of the securities of one railway by another, and less deduction of securities covering property other than railway property, is \$59,259 per mile. The net capitalization of the railways in each group or in each state is not ascertainable. It has therefore been necessary in this comparison to use the figure

*In the comparisons of Texas with the various groups, Group IX is omitted from consideration, because the State of Texas comprises the major part of Group IX and largely determines its character.

of gross capitalization. While it is likely that the net capitalization of the railways of Texas, if it were ascertainable, would not show the same relative reduction from the gross as that of the United States as a whole, it is significant that the *gross* capitalization per mile of the Texas lines is 45 per cent less than the *net* capitalization per mile of the railways of the country as a whole.

On the same basis of comparison of gross figures, the table shows that the amount of stock per mile is \$9,839 in Texas, \$32,450 for the United States as a whole, \$15,495 in the lowest group (Group V), and \$65,456 in the highest group (Group II). The amount of bonds per mile is \$22,231 for Texas, \$41,380 for the United States, \$30,869 for Group V, and \$81,844 for Group II.

The average rate of dividend on railway stock is lower in Texas than elsewhere. The average dividend paid in 1909 on the aggregate of dividend-paying and non-dividend-paying stock was less than three-tenths of one per cent. On the similar aggregate of stock for the entire United States, the dividend rate averaged 4.2 percent. In the lowest group (Group IV) this dividend rate averaged 1.6 percent, and in the highest group (Group VII) 6.8 percent. That is, the average dividend rate on the total railway stock of the United States was more than seventeen times as high as that of Texas; in Group IV it was over six times as high, and in Group VII twenty-eight times as high.

The low dividend rate on Texas stock would lead one to expect that the proportion of railway stock paying no dividends would be higher in Texas than in the country as a whole. This proves to be the fact to an extraordinary degree. The ratio that the stock of non-dividend-paying railways bore to the stock of all railways was 95.8 percent in Texas, in the United States as a whole, 29 percent, in the group with the highest ratio (Group IV) 58.7 percent, and in the group with the lowest ratio (Group I) 6.7 percent. It should be noted that for reasons given later in the discussion of the table, this comparison of the proportion of stock not paying dividends is

based on the *total stock* of dividend paying roads compared with the *total stock* of non-dividend-paying roads, and not on the *issues of stock* paying dividends compared with the *issues of stock* that paid no dividends.

Certain discrepancies exist between the data published by the Texas Railroad Commission and that published by the Interstate Commerce Commission. If the higher figures given by the Interstate Commerce Commission had been used as the basis for the foregoing comparison, instead of the lower figures of the Texas Commission, the amounts entering into the comparison would have been but little changed, and the relation between the status in Texas and that in other parts of the country, not at all. Therefore it has not seemed necessary to present these discrepancies in the summary.

CAPITALIZATION AND DIVIDEND RETURNS OF THE RAILWAYS OF TEXAS
YEAR ENDING

(United States and Group figures from Statistical Report
Texas figures from 1909 report of the

GROUP.	MILEAGE OWNED.	STOCK.		BONDS.	
		Amount.	Per Mile.	Amount.	Per Mile.
Texas	13,079.41	\$128,686,677	\$9,839	\$290,768,626 ^b	\$22,231
United States..	236,868.53	7,686,278,545	32,450	9,801,590,390	41,380
Group I.....	7,950.14	324,754,673	40,849	445,333,910	56,016
" II....	23,236.94	1,520,991,520	65,456	1,901,806,200	81,844
" III...	24,880.48	997,639,248	40,097	1,310,905,552	52,688
" IV ...	14,880.97	396,395,222	26,638	553,027,315	37,163
" V....	28,377.26	439,709,547	15,495	875,969,066	30,869
" VI ...	50,190.75	1,398,398,631	27,862	1,594,510,949	31,769
" VII ..	13,638.76	407,959,786	29,912	426,517,621	31,272
" VIII.	32,450.48	883,554,572	27,228	1,297,095,370	39,971
" IX ...	18,162.90	318,121,840	17,515	448,028,456	24,667
" X....	23,099.85	998,753,506	43,236	948,395,951	41,056

a The figures exclude switching and terminal companies.

b Includes equipment trust obligations amounting to \$7,956,426.

c Includes \$25,666,134 held in treasury, pledged as collateral security as follows:

Group I	\$29,749	Group IV	
" II	8,327,444	" V	
" III	9,152,575	" VI	

OF THE UNITED STATES AS A WHOLE, AND OF THE SEVERAL GROUPS:
JUNE 30, 1909.

Report of the Interstate Commerce Commission for 1909;
(Texas Railroad Commission).

TOTAL RAILWAY CAPITALIZATION.		DIVIDENDS DECLARED IN 1909.		TOTAL STOCK OF RAILWAYS WHICH PAID NO DIVIDENDS IN 1909	
Amount.	Per Mile.	Amount.	Average Rate Based on Total Railway Stock of Group.	Amount.	Percent of Total Stock of All Railways of Group.
419,455,303b	\$32,070	\$307,850	0.24	\$123,337,265	95.8
487,868,935	73,829	321,071,626	4.2	2,227,650,417c	29.0
770,088,583	96,865	19,575,320	6.0	21,739,094	6.7
422,797,720	147,300	71,484,423	4.7	420,996,237	27.7
308,544,800	92,785	35,153,385	3.5	368,252,631	36.9
949,422,537	63,801	6,471,801	1.6	232,639,792	58.7
315,678,613	46,364	9,251,150	2.1	253,874,556	57.7
992,909,580	59,631	67,187,584	4.8	241,928,577	17.3
834,477,407	61,184	27,793,005	6.8	28,166,800	6.9
180,649,942	67,199	25,029,670	2.8	232,382,171	26.3
766,150,296	42,182	4,681,471	1.5	211,028,138	66.3
947,149,457	84,293	54,443,817	5.5	216,642,421	21.7

, held in sinking and other funds, etc. Amounts assigned to groups are

IV 1,948,900	Group VII	\$1,500
V 744,720	" VIII	2,486,386
VI 603,285	" IX	155,675
	" X	2,215,900

The amount given in the table as representing the stock of all American railways on which no dividend was declared in 1909 is \$2,227,650,417, or 29 percent of the total stock outstanding. This amount is ascertained by adding together the total outstanding stocks of all railways that declared no dividends in 1909. The corresponding item in the Interstate Commerce Commission's statistical report for 1909, page 57, is \$2,766,104,427, and the corresponding percentage 35.99 percent. The discrepancy between these two sets of figures is due to the fact that the Interstate Commerce Commission added together all *issues* of stock on which no dividends were paid, instead of the total stocks of all railways declaring no dividends. Thus the Interstate Commerce Commission's total includes a considerable amount of common stock of railways that paid a dividend on their preferred, but not on their common issues. It has proved impossible to secure from the Interstate Commerce Commission or from its reports a statement of non-dividend-paying stocks in each group corresponding to the amount reported by the Commission for the United States, which has made it necessary to make up the item in the way described. For comparative purposes this data is as valuable as that of the Interstate Commerce Commission, for it gives information of the capitalization of railways paying no dividends whatever on their capital stock.

Switching and terminal companies have not been included in the statistical reports of the Interstate Commerce Commission since 1907. In order to make the statistics comparable, these companies have been omitted from the Texas figures.

Certain differences exist between the returns of the Interstate Commerce Commission when computed for the state of Texas and those of the Texas Railroad Commission. These differences fall into three main groups—differences due to variations in classification, differences arising out of the failure of roads to file reports, and differences in methods used in apportioning capital to those portions of interstate railways that lie within the state of Texas. Among the differences due to varying classification may be mentioned the inclusion of

notes, debentures, pledged bonds, and miscellaneous obligations with funded debt, and the inclusion of branches and spurs with miles of line. For all the roads failing to file operating statements with the Interstate Commerce Commission, mileage figures are reported by that Commission, but nothing more. Differences due to methods of capital assignment are as follows. Where a railway lies in more than one group, the Interstate Commerce Commission usually apportions the capitalization of such road among the several groups in the proportion of the mileage lying within the respective groups. The Texas Railroad Commission, however, apportions the capitalization of each railway entering or passing through the state on its own merits; that is, on the basis of what it considers to be the proper valuation of that part of the railway lying in Texas. As the tendency of the Texas Commission is always toward a low valuation, it is not strange that it assigns a lower capitalization to the Texas portion of the interstate railways than does the Interstate Commerce Commission.

This study, the method of which was determined in the request for its preparation, was based, as already shown, upon the Texas Railroad Commission's figures. Yet the discrepancies between the Texas Commission figures and the Interstate Commerce Commission figures, the reasons for which have already been explained, are not sufficient to vitiate in any respect the conclusions of this study. It does not therefore seem worth while to present in detailed tables the statistical variations in the two reports.

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